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# 2006 ANNUAL REPORT

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CHUNGWA PICTURE TUBES, LTD.

Annual Report Website: <http://www.cptl.com.tw> Company Website: <http://www.cptl.com.tw> Information from MSCI: <http://msci.com.tw>



CHUNGWA PICTURE TUBES, LTD.

ANNUAL REPORT 2006



Chungwa Picture Tubes, Ltd.



Lin Wei-Shan, Chairman



CHUNGWA PICTURE TUBES, LTD.  
1727 Hsueh Rd., Taipei City, Taiwan, 104, R.O.C.  
Tel: 886-2-27315151 Fax: 886-2-2731515

■ **The Spokesman and Acting Spokesman of the Company**

Spokesman

Name: Wu Chun-Yi, Vice President; Telephone: 03-3675151; E-mail: wujy@cptt.com.tw

Acting Spokesman

Name: Lee Hsueh-Lung, Vice President; Telephone: 03-3675151; E-mail: leexl@cptt.com.tw

■ **Headquarters, Branches and Plants**

Headquarter: No. 22, Chung Shan North Road Section III, Taipei; Telephone 03-3675151

Taoyuan Plant: No. 1127, Ho Ping Road, Ta Nan Li, Pa The, Taoyuan County; Telephone: 03-3675151

Lungtan Plant: No. 1, Hwa Ying Road, San Ho Village, Lung Tan, Taoyuan County; Telephone 03-4805678

Yangmei Plant: No. 80, Hsing Shan Road, Ta Tung Li, Yangmei, Taoyuan Count; Telephone: 03-4786121

■ **Shares Registrar**

Name: China Trust Commercial Bank

Address: No. 83, Chung Ching South Road Section I, 5F, Taipei

Website: <http://www.chinatrust.com.tw>

Telephone: 02-23613033

■ **External auditors of the company in the most recent year**

Names of certified public accountant: Tai Hsing-Cheng • Chang Ting-Ming

Name of CPA firm: Ernst & Young

Address: No. 333, Keelun Road Section I, 9F, Taipei

Website: <http://www.ey.com.tw>

Telephone: 02-27204000

■ **Names of overseas stock exchanges for trading of securities**

Names of overseas stock exchanges for trading of securities: Luxembourg Stock Exchange, Stock Exchange of Singapore

For information on overseas securities: contact BLOOMBERG

■ **Company Website**

<http://www.cptt.com.tw>

**4 List of Dominant Shareholders**

| Name of dominant shareholders  | Share | Quantity of shareholding | Proportion of shareholding |
|--|-------|--------------------------|----------------------------|
| Chunghwa Electronics Investment Co., Ltd.  |       | 1,486,542,603            | 18.10%                     |
| Tatung Company   |       | 1,051,537,247            | 12.80%                     |
| Kuo Hwa Life Insurance   |       | 77,838,744               | 0.95%                      |
| Standard Chartered Bank I SHARES Trustee Account                                 |       | 45,528,105               | 0.55%                      |
| Civil Servants Pension Fund Management Committee                                 |       | 41,026,849               | 0.50%                      |
| Dimensional Emerging Markets Value Fund inc.                                     |       | 38,118,045               | 0.46%                      |
| Standard Chartered Fan-Jia-Deh Newly Emerged Market Fund Special Trustee Account |       | 34,866,331               | 0.42%                      |
| Lian Tien-Rong   |       | 26,650,000               | 0.32%                      |
| Mitsubishi Electrics   |       | 18,522,961               | 0.23%                      |
| Huang Chang Chien Yin-Hwa  |       | 17,700,000               | 0.22%                      |

**5 Information on market price, net value, earnings and dividend per share in the last two years**

| Subject             |   | Year                   | 2005      | 2006      | 2007 to April 27 |
|---------------------|---|------------------------|-----------|-----------|------------------|
| Market price        | High  |                        | 14.24     | 10.75     | 8.58             |
|                     | Low   |                        | 7.14      | 6.13      | 5.71             |
|                     | Average   |                        | 12.13     | 8.00      | 7.15             |
| Net value per share | Cum-dividend                                    |                        | 11.44     | 10.00     | 9.66             |
|                     | Ex-dividend                                     |                        | 11.44     | 10.00     | 9.66             |
| EPS                 | Quantity of shares under weighed average method |                        | 7,807,278 | 8,212,605 | 8,212,605        |
|                     | EPS   |                        | (0.94)    | (1.70)    | (0.37)           |
| Dividend per share  | Cash dividend                                   |                        | -         | -         | -                |
|                     | Stock dividend                                  | From retained earnings | -         | -         | -                |
|                     |   | From capital surplus   | -         | -         | -                |
|                     | Accumulated unpaid dividend                     |                        | -         | -         | -                |
| Analysis of ROI     | PE ratio (note 1)                               |                        | -         | -         | -                |
|                     | PI ratio (note 2)                               |                        | -         | -         | -                |
|                     | Residual rate of cash dividend (note 3)         |                        | -         | -         | -                |

Note 1: P/E ratio = Average price at the close of the year/earnings per share

Note 2: P/I ratio = Average price at the close of the year/cash dividend per share

Note 3: Residual rate of cash dividend = cash dividend per share/ Average price at close of the year

**6 Dividend Policy and the Status of Implementation****1. Dividend Policy as stated in the Corporate Charter**

Earnings of the company shall be subject to corporate income tax under law. The remainder of such earnings shall be appropriated for writing off loss carried forward and 10% will be set aside as a statutory reserve. Competent authority also requires the company to set aside a special reserve from the remainder of the aforementioned earnings net of all the above deductions, and only the remainder after all these appropriations is the income for payout. The Board shall be responsible for the proposal of dividend payout pending the approval of the Shareholders General Meeting. Employee bonuses shall range from 5% to 10% of such remaining amount and the rest shall be paid out as dividend for shareholders.

The company is in the high tech sector and is in the growth stage of the corporate lifecycle. To enlarge scale and enhance its competitive position in comparison to large global firms, the company has adopted the policy of paying out only the remainder. The pay out of dividends and bonuses shall also be relative with the capital spending and capital requirement of the future. Cash dividends shall not be lower than 10% of the total of cash dividend and stock dividend of the year.

**2. The proposal for the pay out of dividend is to be presented before this Shareholders General Meeting for approval: The Company shall not pay out any dividend for this year under its dividend policy.****7 Effect of paying out stock dividend on the operation of the company and the EPS: N/A.**

**8 Employee bonuses and fees for directors and supervisors**

**1. Percentage and scope of employee bonuses and remunerations to directors and supervisors as required under the Corporate Charter:** For details, refer to 6 on Dividend Policy and Status of Implementation.

**2. Information on the resolution of the Board on the pay out of employee bonuses:** N/A.

**3. Appropriations of retained earnings of the previous year for employee bonuses and remunerations to directors and supervisors:**

(i) Employee bonus: N/A.

(ii) Fees for Directors and Supervisors: The Company only pay out traveling subsidies to its Directors and Supervisors and no other forms of remunerations.

**9 The repurchase of company stock by the company: N/A.****10 Status of corporate bonds**

(1) Outstanding bonds and bonds in application

| Type of corporate bonds  | 5 <sup>th</sup> issue of overseas secured ECB  | 6 <sup>th</sup> issue of overseas ECB  | 7 <sup>th</sup> issue of overseas ECB  |
|--|--|--|--|
| Date of issuance   | December 8 2004  | July 14 2006   | In process   |
| Denomination   | USD1,000   | USD1,000   |  |
| Place of issuance and trade  | Stock Exchange of Singapore  | Stock Exchange of Singapore  |  |
| Issuing price  | At par   | At par   |  |
| Total  | USD 213,500,000  | USD 250,000,000  | Upper limit at USD 250,000,000   |
| Interest rate  | 0%   | 0%   |  |
| Term   | 2 years and 6 months<br>Maturity date: June 8 2007   | 5 years<br>Maturity date: June 14 2011   |  |
| Guarantor  | ABN  | -  |  |
| Trustee  | Bank of New York   | Bank of New York   |  |
| Underwriter  | ABN  | ABN  |  |
| Certifying attorney  | Simpson Thatcher & Bartlett  | Simpson Thatcher & Bartlett  |  |
| Certifying CPA   | Ernst & Young  | Ernst & Young  |  |
| Redemption method  | Unless otherwise redeemed, repurchased by the company or the exercise of conversion rights thereof, the company shall pay 105.36% of the face value for redemption on maturity.  | Unless otherwise redeemed, repurchased by the company or the exercise of conversion rights thereof, the company shall pay 114.63% of the face value for redemption on maturity.  |  |
| Outstanding principal  | USD 213,500,000  | USD 250,000,000  |  |
| Clauses on redemption and retirement before maturity   | 1. If the price at close of the common shares of the company traded on the TSE exceeds 125% (inclusive) of the conversion price for 20 consecutive days after the 1st anniversary of the issuance of bonds, the company shall redeem the bonds at 100% of the face value.<br>2. If there are only 10% (inclusive) of the face value of outstanding bonds not redeemed or converted before maturity, the company shall redeem the bonds at 100% of the face value.<br>3. Where the change in the legal environment may result in an additional tax on the issue of this bond, the company shall redeem the bonds at 100% of the face value. | 1. If the price at the close of the common shares of the company traded on the TSE exceeds 125% (inclusive) of the conversion price for 20 consecutive days after the first 18 months of the issuance of bonds, the company reserves the right to redeem the bonds at 2.75% of interest rate per annum before maturity.<br>2. If there are only 10% (inclusive) of the face value of outstanding bonds not being redeemed or converted before maturity, and there are changes in applicable legal rules to the extent that the taxes being levied increased, the company shall redeem the remainder of the outstanding bonds at 2.75% interest rate per annum payable semi-annually. |  |
| Restriction clause   | -  | -  |  |
| Credit rating  | -  | -  |  |
| Other attached rights  | Amount of common shares being converted as of the day this report was printed.   | -  |  |
|  | Regulation governing the issuance and conversion of bonds  | 1. Respective bearer of this issue of bonds may exercise their right of converting the bonds into common shares of the company 30 days after the issuance.<br>2. Period for suspension of transactions before Shareholders General Meeting: No conversion may be made from the day which is 15 transaction days before the cum-right day to the dividend day, or during any period as prescribed by law.   | 1. Respective bearer of this issue of bonds may exercise their rights of converting the bonds into common shares of the company 30 days after the issuance to 30 days before maturity.<br>2. Period for suspension of transactions before Shareholders General Meeting: No conversion may be made from the day that is 15 days before the cum-right day to the dividend day or during any period as prescribed by law. |
| Regulation or conditions for issuance and conversion that may cause dilution to equity and current shareholders' equity. | After the conversion into common shares, the total outstanding shares constituted only 5.87% of the outstanding shares as of the time of issuance. Therefore, the effect of dilution is minimal.   | After the conversion into common shares, the total outstanding shares constituted only 14.42% of the outstanding shares as of the time of issuance. Therefore, the effect of dilution is minimal.  |  |
| Name of custodian agent for handling conversion  |  |  |  |